

Message Text

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PAGE 01 STATE 115775
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 H-01 /092 R

DRAFTED BY EB/IFD/OIA:RDKAUZLARICH:ME
APPROVED BY EB:JLKATZ
EB/OCA:AZUCCA
EB/IFD/BP:HWINTER
EUR/WE:EBEIGEL
EB/IFD/OIA:MPBOERNER

-----033944 060822Z /21

R 060020Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY PARIS

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FOR THE AMBASSADOR FROM ASSISTANT SECRETARY KATZ

E.O. 11652:N/A

TAGS: EINV, EIND, ELTN, ETRD, FR

SUBJECT: MEETING WITH RENAULT EXECUTIVES ON RENAULT-AMERICAN
MOTORS RELATIONSHIP

REF: PARIS 12535

1. ON MAY 2, I MET WITH BERNARD VERNIER-PALLIEZ, PRESI-
DENT, AND M. HANON, EXECUTIVE VICE PRESIDENT AND ASSISTANT
GENERAL MANAGER FOR OPERATIONS, OF RENAULT TO DISCUSS THE
PROPOSED RENAULT-AMERICAN MOTORS RELATIONSHIP. DURING
THEIR VISIT TO WASHINGTON, THEY ALSO SAW STR STRAUSS, FED
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CHAIRMAN MILLER, TREASURY SECRETARY BLUMENTHAL, SENATORS
PROXMIRE AND NELSON AND REPRESENTATIVES REUSS AND ASPIN.

2. VERNIER-PALLIEZ SAID THAT THERE WOULD BE NO FINAL
DECISION ON THIS CO-PRODUCTION AND CO-MARKETING ARRANGE-
MENT WITH AMERICAN MOTORS UNTIL JUNE WHEN WORK ON THE
DETAILS AND THE ECONOMICS IS COMPLETED. THE ARRANGEMENT

INVOLVES DISTRIBUTION THIS YEAR OF RENAULT PRODUCTS VIA AMERICAN MOTORS DEALERS IN THE U.S. AND CANADA. RENAULT WOULD UNDERTAKE EUROPEAN AND OTHER DISTRIBUTION OF JEEP PRODUCTS THROUGH ITS WORLD-WIDE DEALER NETWORK.

3. THE NEXT STAGE OF THE RELATIONSHIP (IN THE 1980'S) WOULD INVOLVE U.S. PRODUCTION OF THE NEW RENAULT-18 MODEL RECENTLY MARKETING IN EUROPE. INITIALLY THIS WOULD INVOLVE ASSEMBLY OPERATIONS AT EXISTING AMERICAN MOTORS FACILITIES IN KENOSHA, WISC. LATER THIS WILL INVOLVE INCREASING AMOUNTS OF LOCAL CONTENT. RENAULT WOULD PROVIDE WORKING CAPITAL ON A CREDIT BASIS AND TECHNOLOGY AS WELL AS ACQUIRE FUTURE RIGHTS TO PRODUCE JEEP PRODUCTS ABROAD.

4. RENAULT WANTS TO EXPAND ITS ACCESS TO THE NORTH AMERICAN AUTO MARKET. IN 1977, THEY SOLD 25,000 CARS IN THE U.S. AND 7,000 IN CANADA. THEY FEEL THAT THEY HAVE MUCH TO OFFER AMERICAN MOTORS WHO WILL FACE A MAJOR TECHNOLOGICAL AND FINANCIAL HURDLE TO MEET PROPOSED US EMISSION STANDARDS IN THE PERIOD THROUGH 1985.

5. VERNIER-PALLIEZ TOOK PAINS TO INDICATE THAT WHILE RENAULT IS A STATE-OWNED ENTERPRISE IT FUNCTIONS AS A PRIVATE COMPANY. ITS MANAGEMENT OPERATES INDEPENDENTLY AND ITS MEANS OF FINANCING ARE "NORMAL" (I.E. IT RECEIVES NO SUBSIDIES FROM THE FRENCH GOVERNMENT).
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6. I TOLD HIM THAT WE WELCOMED THIS RELATIONSHIP BECAUSE OF THE POSITIVE IMPACT IT WOULD HAVE ON THE U.S. AUTO INDUSTRY AND ON EMPLOYMENT IN THIS SIGNIFICANT SECTOR OF THE U.S. ECONOMY. VERNIER-PALLIEZ SAID THAT HE HAD RECEIVED FAVORABLE REACTIONS FROM OTHERS IN WASHINGTON. HE SAID THAT HE ALSO HOPED THAT THIS ARRANGEMENT WOULD STIMULATE THE MORIBUND U.S.-FRANCE TRADE RELATIONSHIP.
CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, INDUSTRIAL PRODUCTION, MEETINGS, JOINT VENTURES, AUTOMOBILES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE115775
Document Source: CORE
Document Unique ID: 00
Drafter: RDKAUZLARICH:ME
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780193-0746
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780586/aaaacvgj.tel
Line Count: 103
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 575b3aa3-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 12535
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2770424
Secure: OPEN
Status: NATIVE
Subject: MEETING WITH RENAULT EXECUTIVES ON RENAULT-AMERICAN MOTORS RELATIONSHIP
TAGS: EINV, EIND, ELTN, ETRD, FR, US, AMERICAN MOTORS, RENAULT, (HANON, M), (VERNIER-PALLIEZ, BERNARD)
To: PARIS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/575b3aa3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014